

R565, Audit Committees¹

R565-1 Purpose: To provide for the functions and responsibilities of audit committees within the Utah System of Higher Education (“USHE”).

R565-2 References

- 2.1 Utah Code §53B-6-102, Standardized Systems Prescribed by the Board
- 2.2 Utah Code §53B-7-101, Combined Requests for Appropriations – Board Review of Operating Budgets – Submission of Budgets – Recommendations -- Hearing request -- Appropriation formulas -- Allocations -- Dedicated credits -- Financial affairs
- 2.3 Utah Code Title 63I, Chapter 5, Utah Internal Audit Act
- 2.4 Board Policy R561, Accounting and Financial Controls
- 2.5 Board Policy R567, Internal Audit Program
- 2.6 International Standards for the Professional Practice of Internal Auditing (IIA Standards), Institute of Internal Auditors

R565-3 Audit Committees

3.1 Board Audit Committee: The Utah Board of Higher Education (“Board”) shall establish and maintain a Board Audit Committee.

3.2 Creation of Trustee Audit Committees: Each institution’s Board of Trustees shall create a standing Audit Committee to assist the full board in overseeing financial matters and to oversee institutional internal audit activities, in accordance with the *Internal Audit Act* and IIA Standards.

R565-4 Board and Trustee Audit Committee Charters

4.1 Audit Charters: The Board Audit Committee and institution Boards of Trustees’ Audit Committees shall establish respective audit charters that outline their purpose, authority, and responsibilities. The audit charters shall grant appropriate access to data, information, records, and personnel needed to conduct audit activities.

¹ Adopted November 22, 1977; amended June 27, 1978, September 2, 1999, March 18, 2005, March 9, 2007, October 29, 2010, March 31, 2017, November 16, 2018, and March 21, 2024.

4.2 Authority

4.2.1 Board Audit Committee: The Board Audit Committee shall provide advice and recommendations to the Board regarding oversight and internal controls of the system and individual intuitions. Although the Board Audit Committee is not vested with decision making authority on behalf of the Board, the Board Audit Committee has authority to:

4.2.1.1 Access Data: Access any and all data, information, records, and personnel to fulfill its purpose and responsibilities;

4.2.1.2 Confer with Others: Confer with external auditors, legal counsel, and others as necessary; and

4.1.2.3 Investigate: Conduct or authorize investigations into any matters considered necessary to achieve its purpose.

4.2.2 Trustee Audit Committee: Trustee Audit Committees shall provide advice and recommendations to the Board of Trustees regarding institutional oversight and internal controls. Although Trustee Audit Committees are not vested with decision making authority on behalf of the Board of Trustees, the Trustee Audit Committee has authority to:

4.2.2.1 Oversee: Oversee the internal audit activities within the institution;

4.2.2.2 Confer: Confer with external auditors, legal counsel, and others as necessary;

4.2.2.3 Assist: Assist in resolving disagreements between institutional representatives and external auditors;

4.2.2.4 Access: Access any and all data, information, records, and personnel to fulfill its purpose and responsibilities;

4.2.2.5 Investigate: Conduct or authorize investigations into any matters considered necessary to achieve its purpose; and

4.2.2.6 Consult: Consult with institutional representatives, the Board of Trustees, and the Board Audit Committee concerning the adequacy of the institution's internal audit activities, staffing levels, and internal controls.

4.3 Committee Membership

4.3.1 Board of Higher Education Audit Committee: The Board Audit Committee shall consist of at least three but no more than five members, including at least three members of the Board. The Chair of the Board will appoint the Committee Chair and members. When

practicable, at least one of the Committee members should have financial expertise either through professional certification or experience.

4.3.2 Trustee Audit Committee: The Trustee Audit Committee shall consist of at least three but no more than five members, including at least three members of the Board of Trustees. The Committee members will be appointed by the Trustee Chair. Unless a Committee Chair is appointed by the Board Chair, the members of the Committee may designate a Chair by majority vote. When practicable, at least one of the Committee members should have financial expertise either through professional certification or experience.

4.4 Meetings

4.4.1 Board Audit Committee: The Committee shall meet at least three times per year to review audit activities. The Committee may meet with Boards of Trustees, institutional administrators, and auditors. The Office of the Commissioner of Higher Education (“OCHE”) staff shall prepare and provide meeting agendas along with appropriate briefing materials.

4.4.2 Trustee Audit Committee: The Trustee Audit Committee shall meet at least three times a per year, with additional meetings as needed. The Committee may invite institutional administrators, auditors, and others to attend meetings and provide pertinent information. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Informal minutes will be prepared.

4.5 Responsibilities

4.5.1 The Board Audit Committee shall:

4.5.1.1 Communication: Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Board Audit Committee and Trustee Audit Committees (via Trustee Chairs and Trustee Audit Committee Chairs).

4.5.1.2 Reports: Receive and review reports from Trustee Audit Committees (via Trustee Chairs and Trustee Audit Committee Chairs) regarding the annual financial statements, including a summary of significant accounting and reporting issues.

4.5.1.3 Annual Financial Audits: Receive and review reports from Trustee Audit Committees (via Trustee Chairs and Trustee Audit Committee Chairs) regarding the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor’s activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.1.4 Standards of Conduct: Receive and review reports from the Board Audit Director and institution auditors regarding the control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.1.5 Internal Control: Receive and review reports from the Board Audit Director and institution auditors regarding systems of internal control.

4.5.1.6 Complaint Reports: Receive and review reports from institutions regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.1.7 Compliance: Review reports from the Board Audit Director and institution auditors regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.1.8 Noncompliance: Obtain regular updates from institutions regarding instances of material noncompliance that might have implications for the Board.

4.5.1.9 Internal Audit: Receive annual summary reports from Trustee Audit Committees (via Trustee Chairs and Trustee Audit Committee Chairs) regarding the results of the internal auditing program at each institution, including any restrictions and limitations on internal auditing activities.

4.5.1.10 Recommendations: At least annually, the Committee will provide a report or minutes of meetings to the full Board detailing the Committee's activities and recommendations.

4.5.2 The Trustee Audit Committee shall:

4.5.2.1 Communication: Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Trustee Audit Committee and external auditors.

4.5.2.2 Institutional Financial Statements: Review the institution's financial statements, including significant accounting and reporting issues. This includes reviewing the management discussion and analysis of the financial statements, along with any analyses prepared by institutional administration and/or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

4.5.2.3 Review the Annual Financial Audit with Administration: Review with the administration and the external auditors the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.2.4 Review an Institution's Control Environment: Review information regarding the institution's control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.2.5 Confer with Auditors: Confer with external and internal auditors regarding the quality of institutional systems of internal control.

4.5.2.6 Complaints: Review information regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.2.7 Auditing Personnel: Review with campus administrators and other institutional representatives the adequacy of the institution's auditing personnel, staffing levels, and controls.

4.5.2.8 Monitoring Compliance: Review information provided by the administration regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.2.9 Noncompliance: Obtain regular updates from institutional administrators and/or legal counsel regarding instances of material noncompliance that might have implications for the institution.

4.5.2.10 Internal Audit Functions: Review with the administration and the Chief Internal Audit Executive the charter, plans, activities, staffing and organizational structure of the internal audit function.

4.5.2.11 Auditing Restrictions and/or Limitations: Review any restrictions and limitations on internal auditing activities.

4.5.2.12 Chief Internal Audit Executive: Appoint, evaluate performance, if necessary, dismiss the institution's Chief Internal Audit Executive.

4.5.2.13 Reports from the Chief Internal Audit Executive: Receive and review internal audit reports and/or periodic summaries of internal audit activities prepared by the Chief Internal Audit Executive.

4.5.2.14 Meetings: Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Committee and the institution's Chief Internal Audit Executive.

4.6 Reporting

4.6.1 Board Audit Committee

4.6.1.1. Committee Reports: At least annually, the Committee will provide a report or minutes of meetings to the full Board detailing the Committee's activities and recommendations.

4.6.2 Trustee Audit Committee

4.6.2.1 Report: At least annually, the Trustee Audit Committee shall provide a report or minutes of meetings to the full Board of Trustees detailing the Committee's activities and recommendations.

4.6.2.2 Meetings: The Trustees Chair and Trustees Audit Committee Chair shall meet at least annually with the Board Audit Committee to provide updates on the institutional activities required by this policy.

4.6.2.3 Annual Reports: The Committee shall prepare an annual report summarizing internal and external audit results from the prior year and an audit plan for the upcoming year. This report shall be submitted to the Board Audit Director no later than five business days before the annual Board Audit Committee meeting.